Quarterly Market Report

Canadian Construction Market Intelligence

Saily Strategic Solutions

Q1 2026 | CANADA EDITION

EXECUTIVE SNAPSHOT

The Market at a Glance

Canada's construction market remains active, supported by sustained investment across housing, infrastructure, and defence. A structural shift is emerging — delivery capacity, not funding, is becoming the primary constraint.

$13.3B

Permit Values

Total Canadian permit values in January 2026, up +4.8% month over month

256K

Housing Starts

Units at elevated levels, with actual starts up 10% year over year

$23.4B

Building Investment

Investment in building construction in January, up 7.8% annually

–12K

Jobs Lost

Construction employment positions declined in February 2026

The Core Tension

Multiple major programs — defence, infrastructure, and housing — are advancing simultaneously, competing directly for the same contractors, labour, and supply chains. Procurement outcomes are becoming more variable as a result.

What This Means

Construction demand remains strong, but delivery capability is increasingly selective and constrained. Project success will depend on aligning procurement strategy, delivery models, and execution capability early.

Organizations that can convert capital into delivery with certainty will be best positioned as investment levels continue to rise.

NATIONAL PERSPECTIVE

The Defining Constraint Has Shifted

Canada's construction market is entering a period of sustained investment across housing, infrastructure, and defence. Capital is being deployed at scale, supported by strong policy direction and long-term funding commitments. Yet despite this level of investment, delivery outcomes are becoming increasingly constrained.

As a result, the defining constraint within the construction market is shifting. It is no longer determined by whether projects can be funded or whether demand exists, but by whether projects can be delivered with certainty. This shift has implications across the entire market, with project success increasingly dependent on procurement strategy, delivery model selection, early-stage planning and cost validation, as well as contractor capacity and capability.

Multiple major programs are advancing simultaneously across sectors, creating sustained demand for the same pool of contractors, labour, and supply chain resources. Project complexity is increasing, infrastructure within live environments, housing at cost-efficient scale, and defence under specialised security conditions.

Procurement Strategy

Model selection and timing are now primary determinants of project success, not secondary considerations.

Early-Stage Planning

Cost validation and scope clarity at the outset are critical to maintaining delivery certainty throughout execution.

Contractor Capability

Capacity is concentrated and selective. Contractors are prioritizing projects with clarity, balanced risk, and delivery certainty.

> Execution capability, not capital availability, is emerging as the primary determinant of which projects advance successfully.

MARKET DYNAMICS

Market Dynamics & Economic Response

Canada's construction market is entering a period of sustained capital stimulus, supported by large-scale provincial infrastructure programs and long-term national investment commitments across housing, infrastructure, and defence. This level of investment is reinforcing construction as a key driver of economic activity, while simultaneously placing increasing pressure on the industry's ability to respond at scale.

Construction cost behaviour reflects this dynamic. Residential construction costs increased by approximately 2.8% in 2025, while non-residential building costs rose by approximately 3.7%. Although the rate of escalation has moderated through the year, costs have stabilised at an elevated baseline rather than declining, indicating that underlying capacity pressures remain embedded within the market. Infrastructure cost behaviour follows a similar pattern, with civil engineering construction costs increasing in the range of approximately 3% to 5%, though with greater variability driven by materials, energy inputs, and delivery complexity.

Construction Sector Growth

Residential +2.8%
Growth in housing construction.

Non-Residential +3.7%
Expansion in commercial building.

Infrastructure 3–5%
Increase in public works.

At the same time, supply chain capacity is not fully aligned with the scale of investment being deployed. Fabrication, materials, and specialised systems remain constrained, particularly for complex or large-scale projects. These pressures are compounded as multiple sectors advance simultaneously, drawing from the same delivery ecosystem.

The result is a construction market where capital investment is increasing, but the ability to absorb and deliver that investment is becoming increasingly limited. This creates a broader economic effect: construction activity will continue to support growth, but will also contribute to inflationary pressure, extended delivery timelines, and increasing selectivity across the market.

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LABOUR CAPACITY

Labour Capacity & Workforce Outlook

Canada's construction workforce represents a critical component of the industry's ability to deliver on its expanding pipeline of work. With approximately 1.6 million people employed across the sector, construction accounts for a significant share of national employment. However, workforce growth is not keeping pace with the level of demand being generated by sustained investment across housing, infrastructure, and defence.

1.6M

Total workers

About 7–8% of the national workforce

75–80%

Trades & field-based

Blue collar roles

20–25%

Management & professional

White collar roles

100,000s

Additional workers needed

Projected over the coming decade

Industry projections indicate that hundreds of thousands of additional workers will be required over the coming decade, driven not only by new demand but also by a high rate of retirements within the existing workforce. This creates a structural constraint, particularly within skilled trades, where the availability of experienced labour remains limited. At the same time, competition for project management, technical, and commercial professionals is increasing, further tightening capacity across delivery teams.

Short-term fluctuations in employment data do not fully capture this underlying pressure. While monthly labour figures may indicate periods of contraction or expansion, the broader trend points to a constrained labour market that is operating close to capacity. This is reinforced by increasing competition for resources across sectors, as projects advance concurrently and draw from the same workforce.

As a result, labour availability is becoming one of the most critical factors influencing project delivery. Workforce constraints are contributing to longer timelines, increased costs, and greater selectivity across projects, particularly in regions with the highest levels of construction activity.

MARKET INTELLIGENCE

Market Intelligence — Regional Activity & Capital Signals

Construction activity across Canada is being shaped by a series of large, overlapping provincial capital plans, each with distinct priorities and delivery characteristics.

Ontario remains the largest and most active construction market, **with a $210 billion, 10-year capital plan** focused on transportation, healthcare, and major infrastructure expansion. This growth-driven pipeline is placing sustained pressure on delivery capacity, reinforcing Ontario as both the most active and most constrained market in the country.

Québec presents a contrasting model. Its **$167 billion Infrastructure Plan** is heavily weighted toward asset maintenance, with approximately 71% of funding allocated to sustaining and upgrading existing infrastructure. This lifecycle-driven approach supports a more structured and predictable pipeline, with different delivery pressures compared to expansion-focused markets.

In British Columbia, a **$37.7 billion, three-year capital plan** continues to support major investments in transit, healthcare, and energy infrastructure. However, the province is actively "re-pacing" projects in response to cost escalation and fiscal pressures, reflecting a growing need to balance investment ambition with delivery reality.

Alberta's **$28.3 billion, three-year capital plan** is driven by population growth and the need to expand core public infrastructure. Investment is more distributed across municipal infrastructure, healthcare, and education, resulting in a more selective and less concentrated delivery environment compared to larger urban markets.

Across the rest of Canada, capital programs are smaller in scale and more closely tied to local economic conditions, resulting in pockets of activity rather than sustained, large-scale pipelines.

Taken together, these programs are not operating in isolation. They are advancing concurrently, creating cumulative demand across the same contractor base, labour force, and supply chains. This is reinforcing a national market dynamic where regional differences persist, but delivery capacity is being tested at a system-wide level.

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SAILY INSIGHT | DEFENCE

Defence: A Long-Term Driver with a Delivery Problem

Canada's defence investment is entering a sustained growth phase, supported by both near-term funding and long-term capital planning. Budget 2025 outlines approximately **$81.8 billion over five years**, with projections of up to **$322.9 billion in capital spending over the next two decades**.

$81.8B	$322.9B
5-Year Commitment	**20-Year Projection**
Outlined in Budget 2025 for defence investment	Capital spending projected over the next two decades

Delivery capability is both specialised and concentrated. Defence infrastructure requires a level of technical expertise and security compliance that limits participation to a relatively small group of major contractors. In a market where demand is already elevated across multiple sectors, these contractors are increasingly selective, prioritizing projects that offer clarity, balanced risk, and delivery certainty.

At the same time, supply chain capacity presents a structural constraint. Delivering defence infrastructure at scale depends on a broader ecosystem of materials, fabrication, and specialised systems, where domestic capability has historically been limited. This creates additional pressure, particularly where “build in Canada” objectives are prioritised.

Procurement frameworks will be critical in determining outcomes. Existing models were not designed to support sustained, large-scale capital deployment under conditions of capacity constraint and increasing complexity. Without alignment between procurement strategy, delivery conditions, and risk allocation, projects are more likely to experience reduced bidder participation, conservative pricing, and execution risk.

> Defence will act as a long-term and stable driver of construction demand, but delivery capability, not funding, will determine which projects progress. Success will favour organisations that can align procurement, supply chain, and execution early.

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SAILY INSIGHT | HOUSING & INFRASTRUCTURE

Two Sectors, One Shared Constraint

🏗️ Housing

Federal housing initiatives are increasing capital availability, but affordability remains fundamentally constrained by the cost and structure of delivery. Housing starts remain elevated at approximately **256,000 units**, yet this level of delivery remains insufficient to meet long-term demand.

Critically, housing delivery is now competing directly with infrastructure, defence, and other major programs for the same construction capacity. This creates a structural tension: housing requires cost efficiency, while the broader market is rewarding complexity and margin.

Delivery Model Shifts Required

- Standardization of design and delivery
- Modular and prefabricated construction methods
- Simplification of building approaches
- Integration of alternative capital and delivery models

Affordable housing will not scale under current delivery models — cost structure must change.

🏛️ Infrastructure

Infrastructure investment is increasing, but delivery complexity is rising alongside it. A significant proportion of projects involve upgrades to existing assets, requiring delivery within **live operational environments** such as transit systems, airports, and public infrastructure.

These conditions introduce constraints related to access, public interface, and scheduling, increasing reliance on premium labour and extended delivery timelines. Cost predictability reduces and execution complexity increases as a result.

The Structural Risk

Without appropriate procurement strategies, elevated costs driven by delivery conditions risk **resetting baseline benchmarks for future infrastructure projects**, embedding higher costs across the sector over time.

Infrastructure projects will become more complex and less predictable to deliver — delivery conditions risk driving long-term cost inflation through distorted benchmarks.

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SAILY INSIGHT | PROCUREMENT & DELIVERY

Procurement & Strategic Outlook

Procurement models across the Canadian construction market are well established, but outcomes remain inconsistent due to how they are applied. Construction Management and Design-Build continue to dominate delivery, yet procurement outcomes are increasingly influenced by unclear scope definition and contractor capacity constraints in a high-demand market.

Timing Is Everything

Commercial management and project controls are often engaged too late to influence funding assumptions, procurement strategy, and contract structure — the decisions that most determine project outcomes.

Concentrated Capacity

Delivery capacity remains concentrated among a relatively small group of major contractors, reinforcing a selective and competitive bidding environment where project clarity is rewarded.

Alignment Over Models

The challenge is not a lack of procurement models, but a lack of alignment between project conditions and how those models are applied. Early integration is the differentiator.

Strategic Outlook by Stakeholder

For developers, project advancement will increasingly depend on the ability to demonstrate buildability and cost certainty from the outset. In a market where delivery constraints are tightening, there is a growing need to adopt repeatable and scalable delivery models, while engaging contractors and delivery teams early to validate feasibility before capital is committed.

For public sector owners, the effectiveness of investment will be shaped by how well procurement strategies align with project complexity. Traditional approaches are not always suited to current market conditions, making it critical to integrate commercial management and project controls early in the lifecycle to improve cost predictability and delivery outcomes.

For investors, project viability is becoming increasingly dependent on execution capability rather than financial structure alone. Greater emphasis must be placed on delivery teams, procurement strategy, and cost assumptions, recognising that delivery risk is now the primary determinant of whether projects can be successfully realised.